

2014 BUDGET LEGISLATION FISCAL NOTE

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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Legislation Title:

AN ORDINANCE relating to the electric system of The City of Seattle; authorizing the issuance and sale of municipal light and power revenue bonds for the purposes of providing funds for certain additions and betterments to and extensions of the existing municipal light and power plant and system of the City, paying the costs of issuance of those bonds and providing for the reserve fund requirement; providing for the terms, conditions, covenants and manner of sale of those bonds; describing the lien of those bonds; and ratifying and confirming certain prior acts.

Summary and background of the Legislation:

Although the Budget, Capital Improvement Program (CIP), and adopted rates make specific assumptions about the use of debt financing for a certain share of the CIP, separate authorization for the issuance of bonds is technically required.

The City Light bond sale is anticipated to occur in early to mid-2014. The bond proceeds, combined with internally generated funds, will support City Light's capital program for about 12 months.

The bond sizing is based on the adopted budget and rates, planned cash flow, and cash contribution targets. The bond proceeds will be used to make a deposit to the construction fund, to meet a debt service reserve requirement, and to pay costs of issuance.

The proposed issue is for 30-year, fixed-rate bonds. Total annual debt service is expected to be about \$17.2 million starting in 2015. SCL's adopted rates incorporate the debt service costs resulting from this bond issue.

Major projects supported by the bond issue include generator rebuilds, security improvements, existing network upgrades, and relocating electrical service to accommodate transportation projects. For further information about SCL's capital projects, please see the Proposed 2014-2019 CIP.

Please check any of the following that apply:

☐ This legislation does not have any financial implications.

☒ This legislation has financial implications.

Other Implications:

a) Does the legislation have indirect financial implications, or long-term implications?

Seattle City Light will be obligated to pay annual debt service on these bonds through their term.

b) What is the financial cost of not implementing the legislation?

Financing the utility's CIP completely from cash would require massive cuts in capital and/or operating programs or massive rate increases. Since the capital improvements financed with this debt have a long useful life and interest rates are currently low, it is more practical to spread the costs of these improvements over current and future beneficiaries by issuing bonds.

c) Does this legislation affect any departments besides the originating department?

This legislation affects FAS, which will coordinate the issuance of bonds.

d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?

There are no viable alternatives aside from financing SCL's CIP completely from cash. As noted above, this would require massive cuts in capital and/or operating programs or massive rate increases or some combination of both.

e) Is a public hearing required for this legislation?

No.

f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No.

g) Does this legislation affect a piece of property?

No.

h) Other Issues:

None.

List attachments to the fiscal note below:

None.